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Mexico

Cotton and Products Annual

2011 Cotton Annual

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Report Highlights:
Mexican cotton production is expected to soar 44.1 percent in marketing year (MY)2011/12 to 1 million bales as high international prices and domestic support programs are supporting expanded production on planting areas that had been abandoned or directed to other products. Cotton consumption is growing and demand is strong. Ending stock estimates are increased to align with official data.

Commodities:

Cotton

Production:

The Post/New total Mexican cotton production forecast for MY2011/12 (August to July) is 1 million bales. According to the Confederation of Mexican Cotton Associations (CMCA), attractive international prices and government support programs continue enticing producers to resume planting of vast areas of land historically devoted to cotton production.

The Post/New MY2010/11 total Mexican cotton production estimate was revised upward to 683,000 bales from the USDA/Official estimate. This increase is attributed to the farmers converting land planted for other uses or abandoned land to cotton production. In addition, the use of imported seed has resulted in higher yields. Moreover, an expectation of high returns for growers who plant “white gold” in northern Mexico is leading to expanded planted area. The recent re-introduction of cotton to 3,500 hectares in northern Tamaulipas offset some of the effects of Hurricane Alex on total Mexican production.

The Post/New MY2009/10 production estimate is unchanged from the Post/Old estimate. This reflects the latest official Mexican data. The Post/New MY2009/10 production estimate is 411,000 bales and is slightly lower than USDA/Official estimates of 422,000 bales.

The following table encompasses the updated figures for MY2010/11 by the main producer states and regions. No official forecast for MY2011/12 has been published by the Government of Mexico (GOM).

Cotton yields vary significantly among the major producing areas. Average cotton yields for MY2011/12 are expected to reach 6.25 bales per hectare (ha). The highest yielding areas are expected to be the La Laguna and Chihuahua regions where cotton growers have adopted the use of genetically engineered (GE) seed varieties. The CMCA stated that biotechnology continues to be an important tool in reducing pesticide usage. CMCA stated that pesticide application dropped by more than 50 percent due to use of GE seeds and that GE seeds have stimulated yield increases as many varieties are drought tolerant. At this point, the total GE cotton acreage is not known, but unofficial sources estimate that 65 percent of the total area is planted with GE seed. As in MY2010/11, it is expected that improved seed will be planted in Chihuahua, Mexicali and the La Laguna region (Coahuila and Durango states) for MY2011/12. These areas have what are considered the best infrastructure and resources to use improved seed.

However, increased input costs (particularly for fuel and fertilizers) as well as higher costs for purchasing GE seed varieties and excessive administrative measures continue limiting the timely purchase of imported GE seed.

According to CMCA, the quality of the MY2011/12 cotton crop is similar to levels seen in recent years. CMCA expects the use of improved seed varieties will allow producers to obtain better yields and quality.

Cotton Prices

In previous seasons, the GOM cotton target price was set at 67.75 U.S. cents per pound and contributed to an average of 650,000 bales (480 pounds). Unofficial sources indicate that during August 2010 the price paid was 80 cents per pound and currently is around $2.15 per pound.

Consumption:

The Post/New MY2011/12 consumption estimate is projected at 2.02 million bales (480 pounds). This is a result of sustained demand from the Mexican textile industry, which is growing as consumer purchasing power and apparel spending recover. The total consumption estimate for MY2010/11 was revised upward due to increased demand from the textile industry. MY2009/10 figures were revised downward to reflect official data.

International market inventories appear low and could push final cotton product prices higher and curb Mexican consumption growth if major producers, such as India, decide to supply domestic markets instead of export markets.

Trade:

The Post/New cotton import forecast for MY2011/12 is 1.4 million bales versus 1.6 million 480-pound bales for MY2010/11. The decrease is due to the expected increase in domestic production that would help fulfill the sustained demand from the Mexican textile industry. As in previous seasons, exchange rate fluctuations will play a key role in determining the amount of cotton imported. The United States should remain the main supplier to Mexico and account for practically 100 percent of total cotton imports. Post/New MY2010/11 figures were revised upward from USDA/Official estimates in line with sustained demand from the textile industry. The import estimate for MY2009/10 was revised upward reflecting official data from the Secretariat of Economy (SE).

The Post/New Mexican cotton export forecast for MY2011/12 is expected to be 200,000 480-pound bales. This is the same as the Post/New MY2010/11 forecast. The Mexican cotton industry is searching for market niches in Central and South America. The export figures for MY2010/11 have been adjusted upward from USDA/Official statistics due to increased production and Mexico's intention to expand into other markets. The MY2009/10 export estimate is unchanged.

The textile industry has been stagnant for several years as pressure from foreign suppliers and various economic factors limited consumption growth. Industry sources expected this pattern to continue during MY2010/11, but increased purchasing power is moving the market. (ADAM BRANSON: Not sure this is trade related?)

Mexico had approximately 20 percent of the United States import market in calendar year 2010 and nearly 34 percent in 2009. Despite losing market share, Mexico remains one of the largest exporters of cotton to the United States.

Stocks:

Due to a sustained increase in domestic demand, MY2011/12 ending stocks are forecast nine percent lower, at 858,000 bales. This is lower than the Post/New MY2010/11 ending stock estimate. Despite increased domestic demand and sustained exports during MY2010/11, ending stock figures were revised upward from USDA/Official estimates due to increased production and higher carryover stocks from MY2009/10. Stocks for MY2009/10 were adjusted to reflect official Mexican data and are higher than the USDA/Official estimate.

Policy:

On December 31, 2010, SAGARPA published a notice in the Mexico's *Diario Oficial* (Federal Register) that modifies the operational rules of the Mexican domestic agricultural support program for the 2011 crop cycle. These changes entered into force on January 1, 2011. The new target price for cotton was increased from 12,600 to 19,800 pesos per ha ($1,057- 1,661/ ha). This is the minimum reference price that producers will receive if international cotton prices decline or crops are damaged.

Production, Supply and Demand Data Statistics:

Table 1. Mexico: Cotton Production by State/Region for MY2010/11

Region	Planted Area (Has)	Yield (Bales/Ha)	Production (Bales)
Southern Sonora	3,000	5.74	17,215
Mexicali, Baja California	23,500	6.80	159,800
Juarez, Chihuahua	8,170	6.00	49,020
Delicias, Chihuahua	25,832	6.30	162,750
Ojinaga-Aldama, Chihuahua	27,220	6.20	168,764
La Laguna / Durango and Coahuila	24,274	4.45	108,000
Northern Tamaulipas	3,500	5.00	17,500
TOTAL	**115,496**	**5.91**	**683,049**

Table 2. Mexico: PSD for MY 2009/10 through 2011/12

Cotton Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	69	0	116		163
Area Harvested	70	69	107	111		160
Beginning Stocks	764	844	579	841		981
Production	422	411	620	683		1,000
Imports	1,393	1,511	1,300	1,600		1,400
MY Imports from U.S.	0	1,420	0	1,600		1,400
Total Supply	2,579	2,766	2,499	3,124		3,083
Exports	75	100	150	200		200
Use	1,900	1,800	1,825	1,918		2,000
Loss	25	25	25	25		25
Total Dom. Cons.	1,925	1,825	1,850	1,943		2,025
Ending Stocks	579	841	499	981		858
Total Distribution	2,579	2,766	2,499	3,124		3,083
1000 HA, 1000 480 lb. Bales						

Table 3. Mexico: Cotton Exports			
Cotton		H.T.S. 52010002, 52010003, 52010099	Units: MT
Exports to:	MY 2008/2009	MY 2009/2010	MY 2010/11①
U.S.	10,397	4,682	4,409
China	12,370	8,451	4,893
Japan	1,447	1,916	342
Vietnam	9,453	1,465	416
Others not listed	10,163	3,460	1,628
Grand total	43,830	19,974	11,688

Table 4. Mexico: Cotton Imports			
Cotton		H.T.S. 52010002, 52010003, 52010099	Units: MT
Imports from:	MY 2008/2009	MY 2009/2010	MY 2010/11①
U.S.	308,184	327,992	121,778
Egypt	185	20	0
Others not listed	29	25	0
Grand total	308,398	328,037	121,778

Table 5. Mexico: Cotton Yarn Exports			
Cotton Yarn		H.T.S. 5204, 5205, 5207	Units: MT
Exports to:	CY 2008	CY 2009	CY 2010
U.S.	7,769	3,719	9,689
Colombia	5,253	3,449	5,160
Other not listed	3,053	8,063	11,517
Grand Total	16,075	15,231	26,366

Table 6. Mexico: Cotton Yarn Imports			
Cotton Yarn	H.T.S. 5204, 5205, 5207		Units: MT
Imports from:	CY 2008	CY 2009	CY 2010
U.S.	20,104	22,943	23,601
South Korea	1,955	1,141	1,224
Other not listed	2,514	1,952	2,341
Grand Total	24,573	26,036	27,166

Table 7. Mexico: Woven Cotton Fabric Exports			
Woven Cotton Fabric		H.T.S. 5208, 5209	Units: M^2
Exports to:	CY 2008	CY 2009	CY 2010
U.S.	14,648,614	8,972,583	9,833,307
Colombia	14,755,578	12,697,625	15,513,540
Honduras	617,049	559,754	760,718

Other not listed	18,375,343	10,047,390	14,157,980
Grand Total	48,396,584	32,277,352	40,265,545

Table 8. Mexico: Woven Cotton Fabric Imports			
Woven Cotton Fabric		H.T.S. 5208, 5209	Units: M^2
Imports to:	CY 2008	CY 2009	CY 2010
U.S.	195,372,881	157,070,181	152,904,993
China	69,564,921	210,048,505	110,691,332
Other not listed	78,631,108	48,371,938	75,530,242
Grand Total	343,568,910	415,490,624	339,126,567

***SOURCE**: Global Trade Atlas, August-July Market Year. ©Data as of December 2010*

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For More Information

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work http://www.youtube.com/user/ATOMexicoCity

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	**Subject**	**Date Submitted**
MX1018	February Cotton Update	03/15/11
MX1008	December Cotton Update	02/01/11
MX0077	Cotton Situation – October Update	10/25/10
MX0062	Cotton Situation – September Update	09/10/10
MX0038	July Cotton Update	06/15/10
MX0021	Cotton and Products Annual	04/14/10